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State of Utah
Department of Commerce
Division of Securities

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NEWS RELEASE

October 16, 2007

Broker is Sanctioned for Misleading "Free Meal" Seminars, Will Pay $100,000 Fine
Broker promoted the product for people 50 or 80, when it was prohibited for sale to those over 75.

SALT LAKE CITY, Utah – Kelly T. Scott, of Draper, consented to an order entered by the Utah Division of Securities resolving allegations that Scott misled seniors who attended his seminars.

The Division initiated disciplinary proceedings against Scott in May 2007 alleging he presented seminars under the name Educational Retirement Seminars of Utah. He also used the name Retirement Advisors. Advertising that promoted the seminar said the seminars would be presented by a licensed, qualified instructor and claimed it was "Utah's Number One and Most Informative Retirement Course." The Division alleged the use of these names and advertising was misleading because they led investors to believe the seminars were educational in nature rather than sales presentations. Moreover, Scott has no academic background or other credentials as an instructor.

The Division further alleged that Scott's seminars were designed to make seniors believe they could purchase investments that would earn almost all of the increase of a rising stock market and protect them against any decreases in the stock market. He told seniors attending his seminars that he was an independent financial advisor and could give more objective advice than brokers working for the traditional brokerage firms. In reality, he was limited in what recommendations he could give by what his brokerage firm permitted him to sell and because he only had a license to sell limited types of investments. In the end, virtually all new customers signed up at seminars were sold the same type of product, a variable annuity with certain added features.

The Division found that Scott misrepresented information to seminar attendees, such as the claim that customers would not be charged any commissions, and that he failed to disclose important information to potential customers such as the high fees associated with the products he sold and that customers were required to hold these products for seven to ten years to avoid significant withdrawal penalties. In the order, Scott admitted that some of his advertising and portions of his seminar presentations were misleading. He did not admit or deny the other findings of the Division.

Scott agreed to hold no more securities-related seminars, cease selling variable annuities, pay a $100,000 fine, offer refunds to customers who did not fully understand what they were buying, and make significant changes to his future business. The changes include ceasing to use the name Retirement Advisors, not claiming he is independent, re-taking the securities examinations to prove his knowledge of the law and ethics, and completing additional training programs in ethics and compliance.

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